

Straw Proposal
Draft Bylaws Language
(including RRG meeting revisions from November 19, 2004)

A. Member vote on adopting the Operational Bylaws:

[Developmental Bylaws]

12.2 Member Vote Related to Adoption of Operational Bylaws.

12.2.1 Operational Bylaws Business Plan. Prior to the Member vote described below, the Board of Trustees shall develop and distribute to the Members a business plan to be recommended to the Operational Board for provision of the services anticipated to be offered within the first two (2) years of the Operational Stage in a manner that is cost-effective and controls costs, and includes a cost estimate for providing such services and consideration of contracting for services to carry out the Corporation's responsibilities.

12.2.2 Member Right to Vote on Adoption of Operational Bylaws. The Board of Trustees shall not take any action to adopt the Operational Bylaws without first conducting a Member vote on whether the Board of Trustees should adopt the Operational Bylaws. Such Member vote shall be scheduled for a date selected by the Board but only after it determines that:

- (i) A risk-and-rewards analysis of commencing commercial operations of Grid West has been completed;
- (ii) At least two (2) investor-owned utilities have indicated that the proposed Transmission Agreement offered by Grid West has been or will be submitted to the appropriate regulatory authority for any necessary review and approval; and
- (iii) The Bonneville Power Administration has indicated that the proposed Transmission Agreement offered by Grid West will be included in the proposal made available for public review and comment prior to the Administrator's issuing a Record of Decision on whether to execute the Transmission Agreement.

12.2.3 Conduct of Member Vote. If a majority of the Member voting power votes to approve adoption of the Operational Bylaws as provided in Section 5.14.8, the Board of Trustees must adopt the Operational Bylaws without further Member action upon satisfaction of the requirements of Section 7.2.5. The Member vote required by Section 12.2.1 shall be subject to all applicable requirements of these Developmental Bylaws concerning providing notice of and conducting Member meetings (including, without limitation, Sections 5.13 and 5.14). If a majority of the Member voting power does not vote to approve adoption of the Operational Bylaws as provided in Section 5.14.8, the Board of Trustees must reorganize as a non-membership, nonprofit corporation controlled by the Major Transmitting Utilities.

B. Financial Transmission Rights:

[Developmental Bylaws – Remove Regional Proposal References]

{Delete definition 1.1.41 “Regional Proposal” and Attachment F}

1.1.47 “Transmission Agreements” means the agreements initially offered by the Developmental Board to transmission owners and operators which, when effective, will allow the Corporation to perform services to be provided by the Corporation over or with respect to those transmission owners’ or operators’ transmission facilities; provided, however, that a stand-alone agreement that provides only for the Corporation to serve as a control area operator for transmission owners and operators shall not be considered a Transmission Agreement for the purposes of Sections 13.1, and 13.2.

3.1 Purposes.

3.1.1 The purposes of the Corporation during its Developmental Stage are

(i) to develop and negotiate Transmission Agreements with transmission owners and operators within the Geographic Area and endeavor to do so within six (6) months from the date the Developmental Board of Trustees is seated;

(ii) to develop tariff provisions describing services and related protocols for the Operational Stage of the Corporation that build upon the technical work developed by the Regional Representatives Group work groups prior to the seating of the Developmental Board;

(iii) in that development and negotiation, to promote and foster regional stakeholder input, garner broad regional support, and consider such matters as economic efficiency and fairness, reliability, cost-effectiveness, risks and rewards, fuel diversity and sustainability, and environmental effects;

(iv) to secure execution of Transmission Agreements by transmission owners and operators in the Geographic Area to commence the Operational Stage of the Corporation; and

(v) to take such other actions as are necessary and appropriate to accomplish the foregoing; provided, however, that the Corporation during its Developmental Stage shall be subject to the limitations set forth in Section 3.2.

3.1.2 In addition, the Corporation may develop a regional transmission plan and coordinate transmission planning for Members voluntarily participating in such

planning, subject to approval of the Members (by the vote provided for in Section 5.14.8) of a proposal to undertake any planning activities and the Interim Board or Developmental Board securing voluntary funding for such planning efforts.

B. Financial Transmission Rights:

C. Checks and Balances Concerning Grid West Evolution:

[Operational Bylaws]

7.16 Special Issues List.

7.16.1 The Special Issues List. The following matters constitute the “Special Issues List”:

(i) Authorization for the Corporation to exercise backstop measures with respect to chronic, significant, commercial congestion;

(ii) The Corporation’s departure from using the company rate approach to pay for “transmission access” as defined in Section 7.16.1(vi);

(iii) Authorization for the Corporation to issue financial transmission rights;

(iv) Authorization for the Corporation’s market monitor to impose penalties or actively intervene in markets; and

(v) Authorization for the Corporation to adopt and enforce a loss methodology that overrides individual company loss methodologies

The matters identified in the Special Issues List shall be subject to the provisions of Section 7.16.7 and Section 7.16.8 as provided below.

7.16.2 Backstop Measures. For purposes of this Section 7.16, the term “backstop measures” means that the Corporation:

(i) contracts with a willing third party to implement the Corporation’s preferred transmission solution to address chronic, significant, commercial congestion that no Person has implemented,

(ii) allocates resulting costs to beneficiaries through voluntary arrangements or tariff rates, and

(iii) identifies and assigns resulting transmission rights.

Before implementing for the first time a backstop measure with respect to chronic, significant, commercial congestion, the Board of Trustees must first submit a proposal to invoke authorization to exercise backstop measures to a vote of the MRC in accordance with the consultation, procedural, and timing requirements set forth in Section 7.16.7 and Section 7.16.8(i) and after meeting the additional requirements of Section 7.12.3. If the requirements to invoke authorization to exercise backstop measures, as set forth Section 7.16.7 and Section 7.16.8(i), have been satisfied, the Corporation may, subject to 7.12.3, thereafter implement backstop measures to address chronic, significant, commercial congestion to the extent consistent with the scope of authorization that has been invoked by the Board of Trustees. If the Board of Trustees proposes to implement backstop measures to address chronic, significant, commercial congestion in a manner that is not within scope of authorization that has been invoked by the Board of Trustees, the Board must comply with the consultation, procedural, and timing requirements set forth in Section 7.16.7 and Section 7.16.8(i) to invoke any necessary additional authorization before proceeding (as well as meeting the additional requirements of Section 7.12.3). The Corporation's ability to implement backstop measures does not override the prohibition against owning transmission or distribution facilities as set forth in Section 3.2.

7.16.3 Departure from Company Rate Approach. When the Corporation begins offering services, loads will pay a "company rate" (and applicable grid management fees, if any) for transmission access under a rate structure known as the "company rate approach." "Transmission access" means:

- (i) continuing provision of preexisting transmission service (on terms and conditions established under preexisting agreements and obligations) and
- (ii) the delivery of power to withdrawal points on the transmission system over which the Corporation offers services on terms and conditions (including any additional charges) specified by the Corporation.

For purposes of this Section 7.16, a "departure from using the company rate approach" means establishing a rate structure for transmission access that differs from the initial company rate approach by:

- (a) utilizing a rate structure other than a license plate rate; or
- (b) imposing a rate structure for transmission access derived from the costs of facilities of a participating transmission owner other than the participating transmission owner of the facilities from which the delivered power is withdrawn (unless a particular load is already paying for transmission service based on the costs of facilities other than those from which delivered power is withdrawn pursuant to a preexisting agreement, such as a General Transfer Agreement).

Before proposing for the first time a departure from using the company rate approach, the Board of Trustees must first submit a proposal to invoke authorization to depart from using the company rate approach to a vote of the MRC in accordance with the consultation, procedural, and timing requirements set forth in Section 7.16.7 and Section 7.16.8(ii). If the requirements to invoke authorization to depart from using the company rate approach, as set forth Section 7.16.7 and Section 7.16.8(ii), have been satisfied, the Corporation may thereafter propose a departure from using the company rate approach so long as the proposal is consistent with the scope of authorization that has been invoked by the Board of Trustees. If the Board of Trustees proposes a departure from using the company rate approach that is not within scope of authorization that has been invoked by the Board of Trustees, the Board must comply with the consultation, procedural, and timing requirements set forth in Section 7.16.7 and Section 7.16.8(ii) to invoke any necessary additional authorization before proceeding. The provisions of Section 7.16 shall not apply to rates or rate structures for grid management or other services offered by the Corporation that are purchased separately from or in addition to transmission access. In addition, the provisions of Section 7.16 shall not apply to any costs allocated by the Corporation as a result of exercising any “backstop authority” even if such costs would be incorporated into a company rate.

7.16.4 Authorization to Issue Financial Transmission Rights. For purposes of this Section 7.16, the Corporation’s action to “issue financial transmission rights” means that the Corporation either

- (i) substitutes physical transmission rights (either historic contract path or physical injection-withdrawal rights) on a transmission owner’s system with transmission service that separately charges for, and provides financial rights to hedge against, locationally derived costs of congestion clearing or
- (ii) provides transmission service in response to requests for new transmission service through offering transmission service that separately charges for, and offers financial rights to hedge against, locationally derived costs of congestion.

Before acting for the first time to “to issue financial transmission rights” within the meaning of this Section 7.16.4, the Board of Trustees must first submit a proposal to invoke authorization to do so to a vote of the MRC in accordance with the consultation and procedural requirements set forth in Section 7.16.7 and Section 7.16.9. If the requirements to invoke the necessary authority, as set forth in Section 7.16.7 and Section 7.16.9, have been satisfied, the Corporation may thereafter issue financial transmission rights to the extent consistent with the scope of authorization that has been invoked by the Board of Trustees. If the Board of Trustees proposes issue financial transmission rights in a manner that is not within scope of authorization that has been invoked by the Board of Trustees, the Board must comply with the consultation and procedural requirements set forth in Section 7.16.7 and Section 7.16.9 to invoke any necessary additional authorization before proceeding. This requirement to invoke authorization to issue financial transmission rights shall not preclude the Board from

authorizing testing (limited in time, scope, and financial risk assumed by the Corporation, and in which participation is voluntary) as it deems appropriate to help facilitate its determination of whether issuing financial transmission rights is feasible and prudent. In addition, the Corporation's implementation of a congestion management approach that relies on a market-based system to relieve congestion (such as through voluntary redispatch bids), in conjunction with historic contract path or physical injection-withdrawal rights, shall not be subject to the requirements of Section 7.16.

7.16.5 Authorization of Certain Market Monitor Actions. Before the market monitor for the Corporation may be authorized to impose penalties or actively intervene in markets, the Board of Trustees must first submit a proposal to invoke authority to so authorize the market monitor to a vote of the MRC in accordance with the consultation and procedural requirements set forth in Section 7.16.7. If the requirements to invoke the necessary authority, as set forth Section 7.16.7, have been satisfied, the Corporation may thereafter authorize the market monitor for the Corporation to impose penalties or actively intervene in markets to the extent consistent with the scope of authority that has been invoked by the Board of Trustees. If the Board of Trustees proposes to authorize the market monitor for the Corporation to impose penalties or actively intervene in markets in a manner that is not within scope of authorization that has been invoked by the Board of Trustees, the Board must comply with the consultation and procedural requirements set forth in Section 7.16.7 to invoke any necessary additional authorization before proceeding.

7.16.6 Authorization to Implement Certain Loss Methodologies. Before the Corporation may adopt and enforce a loss methodology that overrides individual company loss methodologies, the Board of Trustees must first submit a proposal to invoke authorization to do so to a vote of the MRC in accordance with the consultation and procedural requirements set forth in Section 7.16.7. If the requirements to invoke the necessary authorization, as set forth Section 7.16.7, have been satisfied, the Corporation may thereafter adopt and enforce a loss methodology that overrides individual company loss methodologies to the extent consistent with the scope of authorization that has been invoked by the Board of Trustees. If the Board of Trustees proposes to adopt and enforce a loss methodology that overrides individual company loss methodologies in a manner that is not within scope of authorization that has been invoked by the Board of Trustees, the Board must comply with the consultation and procedural requirements set forth in Section 7.16.7 to invoke any necessary additional authorization before proceeding.

7.16.7 Procedural Requirements Applicable to Special Issues List. An action by the Corporation to invoke an authorization or take an action identified on the Special Issues List is subject to the procedural requirements set forth in Sections 7.16.7(i) through 7.16.7(vi) below.

(i) Preliminary Consultations Related to Proposal Development. In the course of developing a proposal to invoke an authorization or take an action identified on the Special Issues List, the Board of Trustees may seek preliminary input from the general public, as well as Members, the MRC, and the Governmental Committee.

(ii) Mandatory Consultation Process. If the Board of Trustees intends to vote on adopting a proposal to invoke an authorization or take an action identified on the Special Issues List, the Board of Trustees shall provide notice of its proposal according to its then-effective policies for providing notice to the general public, as well as to Members, the MRC, and the Governmental Committee. The notice of proposal must include a specific identification of the scope of authorization the Board of Trustees proposes to invoke or the action the Board of Trustees proposes to take. After providing notice, the Board of Trustees shall complete formal consultation processes concerning the proposal (which may be separate or combined) with the MRC and with the Governmental Committee. The Board of Trustees shall provide not less than 45 days to complete its formal consultation processes before voting to adopt a proposal to invoke an authorization or take an action identified on the Special Issues List. This formal consultation period may overlap with any period of notice required in connection with the Board of Trustees vote under Section 7.16.7(iii).

(iii) Board of Trustees Vote To Adopt a Proposal. Within 14 days after completing the mandatory consultation process set forth in Section 7.16.7(ii) above, the Board of Trustees (in compliance with all applicable provisions of these Bylaws concerning notice of and the manner of conducting meetings of the Board of Trustees) shall vote on whether to adopt a proposal to invoke an authorization or take an action identified on the Special Issues List. The Board of Trustees may, before voting, make changes to its proposal as noticed for the mandatory consultation process under Section 7.16.7(ii) to reflect input received during mandatory consultations; provided, however, that any action by the Board of Trustees to adopt a proposal to invoke an authorization or take an action identified on the Special Issues List must include a specific identification the scope of authorization the Board of Trustees proposes to invoke or the action the Board of Trustees proposes to take. As provided in Section 7.12, the affirmative vote of a majority of Trustees then in office shall be sufficient to adopt the proposal. If the Board of Trustees adopts the proposal it shall summarize in writing (which may be the minutes of the board meeting) its consideration of the provisions set forth in Section 7.12.2. If the Board of Trustees votes to adopt the proposal, the Board of Trustees shall comply with the additional requirements set forth below in Sections 7.16.7(iv) through 7.16.7(vi).

(iv) Submission of Proposal to Members Representative Committee Vote. Subject to all applicable provisions of these Bylaws concerning notice of and the manner of conducting meetings of the MRC, the Board of Trustees shall, within 14 days after any vote to adopt a proposal under Section 7.16.7(iii) above, submit to the MRC the proposal as adopted by the Board of Trustees. With respect to a proposal to take an action or invoke an authorization specified in Section 7.16.1(ii), (iii), or (v), the Board of Trustees shall also comply with the provisions of Section 7.16.8 below.

(v) Members Representative Committee Vote. Promptly after receiving a proposal from the Board of Trustees under Section 7.16.7(iv) above, the MRC shall issue (or caused to be issued) notice of a meeting of the MRC to vote on the proposal. Promptly following the completion of any notice period required by these

Bylaws, the MRC shall vote to indicate whether it supports a proposal submitted to it by the Board of Trustees in accordance with Section 7.16.7(iv).

(a) If at least sixteen (16) members of the MRC vote to support a proposal submitted to it by the Board of Trustees in accordance with Section 7.16.7(iv), the Board of Trustees may, after the MRC has voted, implement the proposal without any further vote of the Board of Trustees.

(b) If fewer than sixteen (16) members of the MRC vote to support a proposal submitted to it by the Board of Trustees in accordance with Section 7.16.7(iv), the matter will be deemed “remanded” to the Board due to insufficient MRC support and final adoption of proposal shall require a vote of the Board of Trustees in accordance with Section 7.16.7(vi).

(vi) Final Board of Trustees Vote. If the MRC votes to remand a proposal submitted to it by the Board of Trustees in accordance with Section 7.16.7(iv), the Board of Trustees may, following the MRC vote required under Section 7.16.7(v) (and in compliance with all applicable provisions of these Bylaws concerning notice of and the manner of conducting meetings of the Board of Trustees) take final action to adopt the proposal only by an affirmative vote of not less than seven (7) of the Trustees then in office.

(vii) Implementation Following Final Board Vote. Except in the case of emergency as declared by the Board of Trustees, if the Board of Trustees has taken final action to adopt a proposal after that has been remanded to the Board of Trustees by an MRC vote under Section 7.16.7(v)(b), the Board of Trustees may not implement the proposal until at least thirty (30) days following the final Board vote.

7.16.8 Timing Requirements Applicable to Special Issues List Proposals. In addition to the procedural requirements set forth in Section 7.16.7, actions by the Board of Trustees to invoke an authorization or take an action identified on the Special Issues List shall be subject to the timing requirements specified in Sections 7.16.8(i) and 7.16.8(ii) below.

(i) The Board of Trustees may not seek to invoke the backstop authorization with respect to chronic, significant, commercial congestion specified in Section 7.16.1(i) until the Board of Trustees is satisfied that it has sufficient knowledge regarding where the transmission system is congested, what the congestion is costing users, and the potential alternatives available to address the congestion. The Board of Trustees may invoke this authorization before a full financial rights-based congestion management system is in place.

(ii) The Board of Trustees may not seek to take the action specified in Section 7.16.1(ii) sooner than eight (8) years following the date on which the Corporation first initiates commercial services to customers pursuant to a transmission service tariff filed with and approved by FERC.

7.16.9 Study Required Before Proposal to Issue Financial Rights. Before initiating a proposal to invoke the authorization specified in Section 7.16.1(iii), the Board shall cause the Corporation to perform (or contract with an appropriately qualified third party to perform) a study of the net benefits (in accordance with Section 7.12.2(ii) of these Operational Bylaws) of issuing financial transmission rights. The study must include a review of other systems or markets in the United States or Canada that have implemented financial transmission rights similar to those the Board proposes for the Corporation to issue and any other implemented financial transmission rights the Board deems relevant to its inquiry. The Board must also make the study publicly available promptly after its completion.

7.17 Member Ability to Elevate Board Approval Vote on Policy or Scope Changes Considered Major. Subject to the exclusions set forth in Section 7.17.5 below, if the Board of Trustees proposes in a notice of or agenda for a Board meeting to take action that Members consider to be a major change in the scope of the Corporation's activities or the policies governing the Corporation's activities, or the Board of Trustees takes action that Members consider to be a major change in the scope of the Corporation's activities or the policies governing the Corporation's activities (and the action was not included in a Board meeting notice or agenda), the Members may indicate their concern with respect to the action and trigger a requirement that at least seven (7) Trustees must vote to authorize the action as provided in Sections 7.17.1 below.

7.17.1 Member Action to Express Concern. If the Members wish to indicate their concern with respect to a proposed matter that Members consider to be a major change in the scope of the Corporation's activities or the policies governing the Corporation's activities, they may do so by:

- (i) convening a special meeting of Members within thirty (30) days after (a) the Corporation has published notice of or an agenda for the applicable meeting of the Board of Trustees (if the notice or agenda included the proposal for the Board to act on a matter that Members consider to be a major change in the scope of the Corporation's activities or the policies governing the Corporation's activities) or (b) the Board of Trustees has taken action on a matter that Members consider to be a major change in the scope of the Corporation's activities or the policies governing the Corporation's activities (and the action was not included in the Board meeting notice or agenda), or
- (ii) conducting a vote as provided in Section 7.17.2 at a bi-annual or other regular meeting of Members if the bi-annual or other regular meeting of Members occurs within thirty (30) days after (a) the Corporation has published notice of or an agenda for the applicable meeting of the Board of Trustees (if the notice or agenda included the proposal for the Board to act on a matter that Members consider to be a major change in the scope of the Corporation's activities or the policies governing the Corporation's activities) or (b) the Board of Trustees has taken action on a matter that Members consider to be a major change in the scope of the Corporation's activities or the policies governing the

Corporation's activities (and the action was not included in the Board meeting notice or agenda).

7.17.2 Trigger for Elevated Board Approval Vote. If at a special meeting of Members convened in accordance with Section 7.17.1(i) or a bi-annual or other regular meeting of Members as provided in Section 7.17.1(ii) not less than eighteen (18) votes' worth of voting power held by the Members vote to indicate that an action proposed or approved by the Board constitutes a major change in the scope of the Corporation's activities or the policies governing the Corporation's activities and should not be implemented unless at least seven (7) Trustees then in office vote in favor of implementation, then, unless the matter is covered by an exclusions set forth in Section 7.17.5 below, the requirements of Section 7.17.3 and 7.17.4 shall apply.

7.17.3 Elevated Board Approval Vote. If the requirements for a Member vote to trigger an elevated Board approval vote as set forth in Section 7.17.2 have been satisfied with respect to a matter, the Board of Trustees may not approve or authorize any proposed action with respect to that matter unless at least seven (7) Trustees then in office vote to approve or authorize the action. In addition, if a Member vote pursuant to Section 7.17.2 that triggers an elevated Board approval occurs after the Board of Trustees has taken action with respect to the matter, the Board of Trustees must meet again to vote on final authorization or approval of the applicable action (even if seven (7) or more Trustees voted initially to authorize or approve the action).

7.17.4 Implementation Timing. Except in the case of emergency as declared by the Board of Trustees, if the Board of Trustees has taken final action on a matter for which the Members have triggered an elevated Board approval vote in accordance with Section 7.17.2, the Board of Trustees may not implement the major change in scope or policy until at least thirty (30) days following the final Board vote.

7.17.5 Exclusions. The following shall not be subject to the provisions of Sections 7.17.1 through 7.17.4:

- (i) matters subject to the "Special Issues List" provisions of Section 7.16;
- (ii) the development, modification, or authorization of current or proposed budgets for the Corporation;
- (iii) any Board action to authorize, initiate, or conduct studies or analyses related to the Corporation's activities or services (or potential changes to the Corporation's services or activities);
- (iv) the Corporation's merger, dissolution, or the sale, exchange, or other disposition of any of the Corporation's assets;
- (v) amendment of these Operational Bylaws; and

(vi) personnel matters, litigation, real estate transactions, and other similar matters that the Board of Trustees is authorized to address in executive session.

NOTE: The ground rules for TSLG's work remain unchanged (see presentation)

D. Additional Cost Control Provisions:

[Operational Bylaws]

5.15 Member Advisory Votes Conducted by the Board of Trustees.

5.15.1 General Member Advisory Vote Rules. Except as provided for an advisory vote on the budget below, the voting rules applicable to Member advisory votes conducted by the Board of Trustees shall be as specified by the Board of Trustees with respect to the matter being submitted to an advisory vote. If the Board does not specify special voting rules, the voting rule and tabulation of such Member advisory votes shall be as described in Section 5.14.7.

5.15.2 Mandatory Member Advisory Vote on Certain Budget Proposals. If the proposed annual budget for the upcoming fiscal year referred to the Board Advisory Committee pursuant to Section 8.5.3 exceeds by more than fifteen percent (15%) the lower of the previous two budget forecasts for that same fiscal year with respect to either total expenditures or total capital commitments, then the Board shall conduct an Member advisory vote on the total expenditures or total capital commitments (or both) exceeding previous two forecasts by more than fifteen percent (15%). Tabulation of such Member advisory votes shall be as described in Section 5.14.7.

7.9 Voting of Trustees. Except where a greater vote is required by the Articles of Incorporation, applicable law, or these Operational Bylaws, the affirmative vote of a majority of the Trustees then in office shall be the act of the Board of Trustees. Each Trustee shall have one vote. Trustees may not vote by proxy.

7.9.1 Implementation Following Certain Board Votes. If a matter on which the Board acts at a meeting has not been described in a notice or agenda consistent with Section 7.5.2 at least thirty (30) days before the Board votes to take the action, or if the Board takes action by written consent, the Board may not implement the action until at least thirty (30) days after the date on which the matter is described in a notice or agenda consistent with Section 7.5.2, the date on which the written consent is published in accordance with Section 7.4.5, or the date on which the Board votes to take the action, whichever is earliest. This provision shall not apply in cases of emergency as declared by the Board of Trustees. [**NOTE** – *Bylaws to consider adding language to ties these provisions to Section 7.17*]

7.9.2 Vote to Adopt Budget. If a Member advisory vote on the budget proposal is required pursuant to Section 5.15.2, then the Board of Trustees may not adopt that budget proposal without first considering the results of the Member advisory vote and any other input the Board has received from Members on the proposed budget, and action to adopt the proposal requires an affirmative vote of not less than seven (7) of the Trustees then in office. The Trustees may adopt a modified budget proposal that does not exceed by more than fifteen percent (15%) the lower of the previous budget forecasts of total expenditures or total capital commitments for that same fiscal year, by the affirmative vote of a majority of Trustees then in office.

7.12.5 Business and Strategic Plans. The Operational Board of Trustees shall adopt a strategic plan for a period of not less than three (3) years by the time the Corporation begins to offer transmission and related services and such plan shall be updated no less frequently than once every three (3) years. Promptly after the Operational Board is seated, it shall consider the business plan recommended by the Developmental Board of Trustees and either

- (i) adopt and implement such plan or
- (ii) adopt an alternative plan after submitting proposed changes and an estimate of their costs to the Board Advisory committee for review and comment (including submission of any proposed alternative proposals).

8.4 Budget Committee.

8.4.1 There shall be a Budget Committee consisting of between three (3) and five (5) representatives of Members appointed by the Board of Trustees and at least two (2) but no more than three (3) Trustees. The Board of Trustees has discretion to decide whom to appoint after considering nominations from Members, provided that the Board will endeavor to constitute a committee that has one (1) (and no more than one (1)) qualified representative from each of the Member Classes. Each of the Budget Committee's members from the membership shall represent a different Member Class and shall, to the extent practicable, be current or former executives responsible for an organization's overall budget preparation or implementation. A quorum for any meeting of the Budget Committee shall be three (3) committee members. Attendance at a meeting of at least a quorum is necessary for Budget Committee action, and decisions shall be made by majority vote.

8.4.2 The Budget Committee, with support from the Corporation's staff and after providing opportunities for the Board Advisory Committee to submit recommendations, shall:

- (i) prepare an annual budget of expenditures and capital commitments, including estimated timing and expected sources of funding for those expenditures;
- (ii) prepare an annual forecast budget of expenditures and capital commitments consistent with the business plan or most recent strategic plan, both referenced in Section 7.12.5, including estimated timing and expected sources of funding for those expenditures, for the two-year period following the period covered by the budget in (i);
- (iii) prepare an annual narrative forecast of capital needs for the two-year period following the period covered by the budget in (ii), including estimated timing and possible sources of funding for those expenditures;
- (iv) initiate or review and make recommendations regarding subsequent proposals for modification of the adopted budget; and
- (v) perform such other functions as the Board may delegate or direct.

8.4.3 The Corporation shall provide the Budget Committee members with access to any information the Budget Committee determines is appropriate or necessary to carry out its duties. Prior to commencing its work, the Budget Committee shall, in conjunction with the Corporation's counsel, establish guidelines for identification and treatment of confidential information.

8.4.4 The Budget Committee shall submit its recommended budget and forecasts to the Board of Trustees by a date established by the Board. The Board shall identify any material changes it makes to the recommendations of the Budget Committee when it submits its proposed annual budget, or any proposal for modification of the adopted budget or forecasts, to the Board Advisory Committee pursuant to Section 8.5.3.

E. Member Classes:

◆ MTU proposal

[Developmental Bylaws]

1.1 Defined Terms. For purposes of these Developmental Bylaws, the following terms shall be defined as follows:

1.1.1 “Affiliate” of a Person means a Person that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common control with such Person. For purposes of these Developmental Bylaws, in determining whether one Person controls another Person: (i) without limitation, the direct or indirect ownership or control of or power to vote five percent (5%) or more of the outstanding voting securities of a corporation shall be deemed to constitute control of such corporation; provided, however, that in the case of any Person that is a public utility that owns an interest in an Independent Transmission Company

and has divested ownership of its electric transmission system, such Person and the Independent Transmission Company shall not be considered Affiliates; (ii) members of any cooperative corporation shall not, merely by virtue of membership in such corporation, be deemed to be Affiliates of each other or of the cooperative corporation; (iii) members of any joint operating agency, joint powers authority, joint operating entity, or comparable entity shall not, merely by virtue of membership in such joint operating agency, joint powers authority, joint operating entity, or comparable entity, be considered Affiliates of each other or of the joint operating agency, joint powers authority, joint operating entity, or comparable entity; (iv) separate agencies of a state, a province, or the federal government shall not be considered Affiliates, regardless of any commonality of political control; and (v) no Crown-owned utility shall be considered an Affiliate of any State or Provincial Energy Authority.

1.1.24 “Major Transmitting Utility” means the following entities if they desire membership and otherwise qualify to become Members: Avista Corporation, British Columbia Hydro and Power Authority, Bonneville Power Administration, Idaho Power Company, NorthWestern Energy, PacifiCorp, Portland General Electric, Puget Sound Energy Inc., and Sierra Pacific Power Company and Nevada Power Company may become a Major Transmitting Utility. Seattle City Light may at its election enter the Major Transmitting Utility or Transmission-Dependent Utility Member Class.

5.2.3 Subject to the following limitations, any Person that has been determined, in accordance with the provisions of Section 5.3, to be qualified to become a Member, shall be entitled to be a member of the Member Class for which it qualifies; provided, however, that no Member may be a member of more than one Member Class at any given time; provided, further, that no Person may be a Member if an Affiliate is already a Member:

(i) If an applicant or Member qualifies for both the Major Transmitting Utility Member Class and any other Member Class, it shall be a Member of the Major Transmitting Utility Member Class, except as set forth in the definition of Major Transmitting Utility.

5.14.2 Membership Thresholds. If a Member Sub-Class has a number of Members equal to or greater than the thresholds set forth in this Section 5.14.2, then voting power shall be allocated to the Member Sub-Class as set forth in Section 5.14.3. *Ex officio* Members do not count for threshold determinations. If a Member Sub-Class has a number of Members less than the thresholds set forth in this Section 5.14.2, then voting power shall be allocated to the Member Sub-Class as set forth in Section 5.14.4.

(i) Major Transmitting Utilities Member Class. There is no threshold for this Member Class.

5.14.3 Allocation of Voting Power When Member Sub-Class Threshold Is Met.

(i) Major Transmitting Utilities: The voting power of the Major Transmitting Utility Member Class shall be allocated equally among all of those Members that are signatories (or the operator of the assets is a signatory) to the Funding Agreement; provided, however, that the voting power of the Major Transmitting Utility Class shall be allocated equally among all of those Members (without regarding to signing the Funding Agreement) with regard to the vote conducted pursuant to Section 12.2.

6.3.2 In the election of members of the MRC, the voting rights of the Members shall be as follows for a Member Class with no Member Sub-Classes and a Member Class in which each Member Sub-Class has at least the threshold number of Members specified for each Member Sub-Class in Section 5.14.2. If a Member Class has one (1) or more Member Sub-Classes with fewer than the applicable threshold number of Members, then the voting rights shall be as set forth in Section 6.3.3:

(i) Major Transmitting Utilities Class. Six (6) members of the MRC shall be representatives of, and shall be elected by, the Members of the Major Transmitting Utility Member Class that are entitled to vote under Section 5.14.3(i) from a slate of nominees comprising a maximum of one (1) representative of each Members unless there are fewer such Members than vacancies.

6.6 Resignation or Removal of Members Representative Committee Members; Vacancies. A resignation of a MRC member shall be effective upon receipt of written notice by the chairperson of the MRC, or the President or the Secretary of the Corporation, unless the notice specifies a later time of effectiveness. A Member Class or Member Sub-Class may remove any MRC member whom it has elected at any time, with or without cause, by the affirmative vote of a majority of the Members present and entitled to vote in such Member Class (or Member Sub-Class, as the case may be) at a duly held meeting of the Members of such Member Class (or Member Sub-Class, as the case may be). The MRC may remove any MRC member at any time, but only for cause, if at least twenty (20) of the MRC members vote in favor of such removal, at least four (4) of whom must be representatives of the same Member Class as the MRC member who is the subject of the removal vote. If a vacancy occurs, the Members entitled under these Developmental Bylaws to elect such MRC member shall fill the vacancy in accordance with the provisions of Section 6.3 at a duly held meeting called in accordance with Section 5.10.2; provided, however, that a meeting of only the Member Class or Member Sub-Class is required for any election or removal in which only a Member Class or Member Sub-Class is entitled to vote. A MRC member so elected shall serve for the unexpired term of his or her predecessor. For purposes of this Section 6.6, "for cause" shall include, without limitation, a failure on the part of any MRC member, in any fiscal year, to attend more than one-half (1/2) of the meetings of the MRC held during such year.

6.12 Voting of Members Representative Committee Members. Except where a greater vote is required by the Articles of Incorporation, applicable law, or these Developmental Bylaws, the affirmative vote of a majority of the MRC members then in office shall be the act of the MRC. Each voting MRC member shall have one (1) vote. MRC members may not vote by proxy, and shall not be required to vote by class. When voting on matters coming before the MRC, each MRC member shall take into consideration the interests of the Member Class, the interests of the Members that appointed or elected the representatives, the purposes of the Corporation as set forth in Article III and thereafter make a decision that each MRC member believes in his or her discretion is appropriate. In addition, when selecting individuals for the Board of Trustees, each MRC member shall endeavor to select individuals who, in the judgment of each such MRC member, best satisfy the criteria set forth in Section 7.1.7(ii).

[Operational Bylaws]

1.1 Defined Terms. For purposes of these Operational Bylaws, the following terms shall be defined as follows:

1.1.1 “Affiliate” of a Person means a Person that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common control with such Person. For purposes of these Operational Bylaws, in determining whether one Person controls another Person: (i) without limitation, the direct or indirect ownership or control of or power to vote five percent (5%) or more of the outstanding voting securities of a corporation shall be deemed to constitute control of such corporation; provided, however, that in the case of any Person that is a public utility that owns an interest in an Independent Transmission Company and has divested ownership of its electric transmission system, such Person and the Independent Transmission Company shall not be considered Affiliates; (ii) members of any cooperative corporation shall not, merely by virtue of membership in such corporation, be deemed to be Affiliates of each other or of the cooperative corporation; (iii) members of any joint operating agency, joint operating entity, joint powers authority or comparable entity shall not, merely by virtue of membership in such joint operating agency, joint operating entity, joint powers authority, or other such entity, be considered Affiliates of each other or of the joint operating agency, joint operating entity, joint powers authority, or other comparable entity; (iv) separate agencies of a state, a province, or the federal government shall not be considered Affiliates, regardless of any commonality of political control; and (v) no Crown-owned utility shall be considered an Affiliate of any State or Provincial Energy Authority.

1.1.25 Major Transmitting Utility” means a transmission owner within the Geographic Area with transmission pole miles greater than or equal to five hundred fifty (550) that desires membership and otherwise qualifies to become a Member; provided, however, that a member of the Transmission-Dependent Utility Member Class that has signed a Transmission Agreement and otherwise qualifies to become a Member of the Corporation may enter the Major

Transmitting Utility Member Class upon the affirmative vote of a majority of the members of the Major Transmitting Utility Member Class.

5.2.3 Subject to the following limitations, any Person that has been determined, in accordance with the provisions of Section 5.3, to be qualified to become a Member, shall be entitled to be a member of the Member Class for which it qualifies; provided, however, that no Member may be a member of more than one Member Class at any given time; provided, further, that no Person may be a Member if an Affiliate is already a Member:

(i) If an applicant or Member qualifies for both the Major Transmitting Utility Member Class and any other Member Class, it shall be a Member of the Major Transmitting Utility Member Class, except as set forth in the definition of Major Transmitting Utility.

5.14.2 Membership Thresholds. If a Member Sub-Class has a number of Members equal to or greater than the thresholds set forth in this Section 5.14.2, then voting power shall be allocated to the Member Sub-Class as set forth in Section 5.14.3. *Ex officio* Members do not count for threshold determinations. If a Member Sub-Class has a number of Members less than the thresholds set forth in this Section 5.14.2, then voting power shall be allocated to the Member Sub-Class as set forth in Section 5.14.4.

(i) Major Transmitting Utilities Member Class. There is no threshold for this Member Class.

5.14.3 Allocation of Voting Power When Member Sub-Class Threshold Is Met.

(i) Major Transmitting Utilities: The voting power of the Major Transmitting Utility Member Class shall be allocated equally among all Members of the class.

6.3.2 In the election of members of the MRC, the voting rights of the Members shall be as follows for a Member Class with no Member Sub-Classes and a Member Class in which each Member Sub-Class has at least the threshold number of Members specified for each Member Sub-Class in Section 5.14.2. If a Member Class has one (1) or more Member Sub-Classes with fewer than the applicable threshold number of Members, then the voting rights shall be as set forth in Section 6.3.3:

(i) Major Transmitting Utilities Class.

a. If the Major Transmitting Utility Member Class has six (6) or fewer members, then each member of the Member Class shall be entitled to (1) appoint one member of the MRC and (2) elect the representatives for any remaining positions allocated to the Major Transmitting Utility Member Class.

b. If the Major Transmitting Utility Member Class has more than six (6) members, then

i. i. The three (3) Members of the class with the most transmission plant within the Geographic Area that have executed Transmission Agreements with the Corporation or that have executed a transmission agreement with an operator that has executed a Transmission Agreement with the Corporation; provided, however, that only those transmission facilities covered by the Transmission Agreements shall be considered in the foregoing determination. The three (3) Members described above each shall be eligible to appoint one (1) member of the MRC. Each class Member's transmission plant shall be calculated according to the following formula:

[The individual Member's original transmission plant investment (without accounting for depreciation in United States dollars) divided by the total transmission plant investment (without accounting for depreciation in United States dollars) of all the transmission facilities covered by Transmission Agreements in United States Dollars] plus [the individual Member's transmission circuit miles divided by the total transmission circuit miles covered by Transmission Agreements], with the foregoing sum divided by two.

When calculating the transmission plant investment or circuit miles of transmission of a Member, the Corporation shall include in its calculation the transmission plant investment or circuit miles of transmission of the Member's Affiliate if the Affiliate has transmission facilities within the Geographic Area and has executed a Transmission Agreement for those facilities.

ii. The remaining Members of the Member Class shall elect three (3) members of the MRC from a slate of nominees comprising a maximum of one (1) representative of each of the remaining Members.

6.6 Resignation or Removal of Members Representative Committee Members; Vacancies. A resignation of a MRC member shall be effective upon receipt of written notice by the chairperson of the MRC, or the President or the Secretary of the Corporation, unless the notice specifies a later time of effectiveness. A Member Class or Member Sub-Class may remove any MRC member whom it has elected at any time, with or without cause, by the affirmative vote of a majority of the Members present and entitled to vote in such Member Class (or Member Sub-Class, as the case may be) at a duly held meeting of the Members of such

Member Class (or Member Sub-Class, as the case may be). The MRC may remove any MRC member at any time, but only for cause, if at least twenty (20) of the MRC members vote in favor of such removal, at least four (4) of whom must be representatives of the same Member Class as the MRC member who is the subject of the removal vote. If a vacancy occurs, the Members entitled under these Operational Bylaws to elect such MRC member shall fill the vacancy in accordance with the provisions of Section 6.3 at a duly held meeting called in accordance with Section 5.10.2; provided, however, that a meeting of only the Member Class or Member Sub-Class is required for any election or removal in which only a Member Class or Member Sub-Class is entitled to vote. A MRC member so elected shall serve for the unexpired term of his or her predecessor. For purposes of this Section 6.6, “for cause” shall include, without limitation, a failure on the part of any MRC member, in any fiscal year, to attend more than one-half (1/2) of the meetings of the MRC held during such year.

6.12 Voting of Members Representative Committee Members. Except where a greater vote is required by the Articles of Incorporation, applicable law, or these Operational Bylaws, the affirmative vote of a majority of the MRC members then in office shall be the act of the MRC. Each voting MRC member shall have one (1) vote. MRC members may not vote by proxy, and shall not be required to vote by class. When voting on matters coming before the MRC, each MRC member shall take into consideration the interests of the Member Class, the interests of the Members that appointed or elected the representatives, the purposes of the Corporation as set forth in Article III and thereafter make a decision that each MRC member believes in his or her discretion is appropriate. In addition, when selecting individuals for the Board of Trustees, each MRC member shall endeavor to select individuals who, in the judgment of each such MRC member, best satisfy the criteria set forth in Section 7.2.2.

◆ TDU proposal

[Developmental and Operational Bylaws]

1.1.43 “Transmission-Dependent Utility” means any municipality, municipal utility, public utility district, people’s utility district, cooperative corporation, joint operating agency, joint operating entity or joint powers authority or comparable entity, irrigation district, mutual association, or tribal utility that (i) furnishes electric services over an electric transmission or distribution system (whether its own or its members’) located within the Geographic Area and (ii) is not a Major Transmitting Utility.

ADDITIONAL DEFINITIONS:

1.1.____ “Large TDU” means those Transmission-Dependent Utilities that, when taken together, make up the minimum number of Transmission-Dependent Utilities that can account for at least fifty percent (50%) of the total amount (measured by MegaWatt-hours delivered) of retail load served by all Transmission-Dependent Utilities (Total Annual TDU Load) during the preceding year. For purposes of this definition, retail load shall exclude

wholesale power sales made by a Transmission-Dependent Utility to an entity other than a member of a cooperative, joint operating agency or joint operating entity, and shall include the delivery of energy to an end-use customer located in the service area of the delivering Transmission-Dependent Utility that is not purchased from such delivering utility. Those Transmission-Dependent Utilities that are to be designated as Large TDUs are identified by establishing a rank order of all Transmission-Dependent Utilities that are Members, with the Transmission-Dependent Utility that served the largest amount of the Total Annual TDU Load ranked first, the Transmission-Dependent Utility that served the second-largest amount of the Total Annual TDU Load ranked second, and so forth. The minimum number of Transmission-Dependent Utilities that can together account for at least fifty percent (50%) of the Total Annual TDU Load is determined by beginning with the Transmission-Dependent Utility that served the largest amount of the Total Annual TDU Load and continuing down through the ranking, including all Transmission-Dependent Utilities (but no more than those) necessary to account for at least fifty percent (50%) of the Total Annual TDU Load. A Transmission-Dependent Utility that would otherwise be a Small TDU may participate as a Large TDU if (i) it submits a request to the Large Transmission-Dependent Utilities that it be designated as a Large TDU, (ii) the Large TDUs invite the requesting Small TDU to participate as a Large TDU, (iii) the Small TDU accepts such invitation and (iv) the Large TDUs notify the Secretary of the Corporation.

1.1.____ “Small TDU” means any Transmission-Dependent Utility that is not designated as a Large TDU pursuant to Section 1.1.____.

* * * * *

5.3.6 No Affiliate of any Person that is a Member may be a Member at any time while such Person is a Member. A Person that is a Member and has as its members other Persons that are Members, such as a joint operating agency, a joint operating entity or a generation and transmission cooperative, may not be in the same Member Sub-Class as any of its members.

* * * * *

5.14.2 Membership Thresholds. If a Member Sub-Class has a number of Members equal to or greater than the thresholds set forth in this Section 5.14.2, then voting power shall be allocated to the Member Sub-Class as set forth in Section 5.14.3. *Ex officio* Members do not count for threshold determinations. If a Member Sub-Class has a number of Members less than the thresholds set forth in this Section 5.14.2, then voting power shall be allocated to the Member Sub-Class as set forth in Section 5.14.4.

* * * * *

(ii) Transmission-Dependent Utilities Member Class. There is no threshold for this Member Class.

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6.3.2 In the election of members of the MRC, the voting rights of the Members shall be as follows for a Member Class with no Member Sub-Classes and a Member Class in which each Member Sub-Class has at least the threshold number of Members specified for each Member Sub-Class in Section 5.14.2. If a Member Class has one (1) or more Member Sub-Classes with fewer than the applicable threshold number of Members, then the voting rights shall be as set forth in Section 6.3.3:

* * * * *

(ii) Transmission-Dependent Utilities Class. Six (6) members of the MRC shall be representatives of, and shall be elected by, the Members in the Transmission-Dependent Utilities Member Class. The voting rights of the Members in the Transmission-Dependent Utilities Member Class shall be as follows:

(a) Three (3) members of the MRC shall be representatives of, and shall be elected by, the Members in the Transmission-Dependent Utilities Member Class that are Large TDUs, and such Large TDUs shall be entitled to nominate and vote in the election of such three (3) members of the MRC; Members that are Large TDUs may cast their votes cumulatively when voting in an election of members of the MRC, but shall not be entitled to nominate or vote in the election of any other members of the MRC; and

(b) Three (3) members of the MRC shall be representatives of, and shall be elected by, the Members in the Transmission-Dependent Utilities Member Class that are Small TDUs, and such Small TDUs shall be entitled to nominate and vote in the election of such three (3) members of the MRC; Members that are Small TDUs may cast their votes cumulatively when voting in an election of members of the MRC, but shall not be entitled to nominate or vote in the election of any other members of the MRC.

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◆ Sellers' class (to come)

F. Planning:

[Developmental Bylaws]

3.1.2 In addition, the Corporation may develop a regional transmission plan and coordinate transmission planning for Members voluntarily participating in such planning, subject to approval of the Members (by the vote provided for in Section 5.14.8) of a proposal to

undertake any planning activities and the Interim Board or Developmental Board securing voluntary funding for such planning efforts.

G. Efficiency:

[Operational Bylaws]

3.1 Purposes. The purposes for which the Corporation is formed are to serve as an independent transmission entity for the Geographic Area that endeavors to improve reliability of the regional transmission grid and efficiency in its use, to provide nondiscriminatory access to transmission services and related markets, to provide cost-effective regional transmission planning and expansion, to develop solutions to operational and commercial problems resulting from limited transmission capacity, to support and establish effective monitoring and mitigation of market power abuses and market manipulation within the Geographic Area, and to support effective monitoring of markets and transmission and related services within the Western Interconnection, all in accordance with these Operational Bylaws, the Articles of Incorporation, and the applicable requirements of federal and state law, and to endeavor to provide sustainable customer benefits. In carrying out the foregoing, the Corporation shall take into account environmental stewardship, regional interests, and cost-effectiveness.